

Order 2003-7-8
Served: July 7, 2003

UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.

Issued by the Department of Transportation
on the 7th day of July, 2003

Essential Air Service at

JAMESTOWN, NEW YORK

Under 49 U.S.C. 41731 *et seq.*

DOCKET OST-2003-14950

ORDER SETTING FINAL RATES

On April 14, 2003, Mesa Air Group, Inc., on behalf of its subsidiary, Air Midwest, d/b/a USAirways Express (Air Midwest) filed a 90-day notice to suspend its subsidy-free air service at Jamestown, New York. By Order 2003-6-11, June 5, 2003, we requested proposals for replacement service and required Air Midwest to continue providing essential air service to Jamestown while we processed a carrier-selection case. We set the required service at three nonstop round trips a day, the level the carrier was providing when it filed its notice.

During this hold-in period, Air Midwest is entitled to be compensated for its service. The carrier and staff have agreed to an annual subsidy rate of \$428,188 for three nonstop round trips a day to Pittsburgh with 19-seat Beech 1900D aircraft. We will compensate Air Midwest at that rate until further Department action, *i.e.*, until we conclude the long-term selection proceeding and select a replacement carrier, either Air Midwest or another carrier, and the service is fully in place.

The rate we have agreed to is based on Air Midwest's system average expenses and appears reasonable. We will continue to process the carrier selection proceeding.

This order is issued under authority delegated in 49 CFR 1.56a(f).

ACCORDINGLY,

1. The Department sets the final subsidy rate for Air Midwest for the provision of essential air service at Jamestown, New York, as described in Appendix C, to be payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling and shall be determined by multiplying the subsidy-eligible flights completed during the month to and from Pittsburgh by \$238.28;¹
2. We direct Air Midwest to retain all books, records, and other source and summary documentation to support claims for payment and to preserve and maintain such documentation in a manner that readily permits the audit and examination by representatives of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed. Copies of flight logs for aircraft sold or disposed of must be retained. The carrier may forfeit its compensation for any claim that is not supported under the terms of this order;
3. This Docket will remain open until further Department action; and
4. The Department will serve copies of this order on the Mayor and Airport Manager of Jamestown, New York, the Governor and Department of Transportation of the State of New York, and Air Midwest.

By:

MICHAEL W. REYNOLDS
Acting Assistant Secretary for Aviation
and International Affairs

(SEAL)

An electronic version of this document is available on the World Wide Web at
<http://dms.dot.gov>

¹ See Appendix C for calculation.

AREA MAP



Appendix B

Mesa Airlines, Essential Air Service to be Provided at Jamestown, NY, Docket 14950

Effective:	<u>July 13, 2003</u>
Round Trips per Week	18
Completed Departures	1,797 1/
Total Block Hours	1,348 1/
ASM's	4,267,875 1/
BFD Miles	0
BFD Passengers	0
JHW Miles	125
JHW Passengers	17,250
Total RPMs	2,156,250
 BFD Revenue @ \$71/pax.	 \$0
JHW Revenue @ \$60/pax.	\$1,035,000
<u>Other @ 1%</u>	<u>\$10,350</u>
Total Revenue	\$1,045,350
 Flight Crew @ \$153.15/hr.	 \$206,446
Hull Insurance @ \$6.93/hr.	\$9,342
Fuel & Oil @ \$150/hr.	\$202,200
Maintenance @ \$289.22/hr.	\$389,869
<u>Aircraft Rent @ \$49.12/hr.</u>	<u>\$66,214</u>
Total Directs	\$874,071
 TFF @ \$.06/RPM	 \$129,375
Marketing	\$5,000
Station @ \$148.06/dep.	\$266,064
<u>Adm. @ \$.0194/ASM</u>	<u>\$82,797</u>
Total Indirects	\$483,236
 Total Operating Expenses	 \$1,357,307
Return @ 5%	\$67,865
<u>Interest @ \$35.88/hr.</u>	<u>\$48,366</u>
Economic Cost	\$1,473,538
 Compensation @ 96%	 \$428,188

1/ JHW-PIT, 36 flts./week x 45 minutes/flt. * 52 weeks *.96/60 = 1,348 hrs., 1,797 deps., 4,267,875 ASMs.

**Air Midwest Air Group, Inc., Essential Air Service to be Provided to Jamestown,
New York, Docket 14626**

Effective Period: July 13, 2003, until further Department action.

Scheduled Service:

18 nonstop round trips each week to Pittsburgh.

Aircraft: 19-seat Beech 1900D aircraft

Subsidy Rate per Pittsburgh Flight: \$238.28 ¹

Weekly Compensation Ceilings: \$8,578.08 ²

Note:

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

¹ \$428,188 annual compensation, divided by 1,797 annual flights, calculated as follows:
36 flights/week*52 weeks*.96 completion.

² 36 flights per week x \$238.28.